



Government Property in The Possession of Contractors

Integrated Process Team (IPT)

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WHAT IS DOD'S POLICY?

- **FAR 45.102 - Contractors are ordinarily required to furnish all property necessary to perform contracts.**
- **Godwin (former USD(A&T) 1986 memo - Departments and Agencies of the DoD must dispose of the old, obsolete and non-essential government property including that which is in storage, reduce the amount of property in the possession of contractors, and bring to a halt the continuing increase in new property going to contractors.**
- ➡ **Yet since 1986, government property in the possession of contractors has nearly doubled--from about \$45 billion to about 89 billion**



CONCERNS

- **We are expending dollars buying or furnishing property that does not need to be government property.**
- **We may be expending dollar needlessly accounting for and maintaining property that no longer is needed by DoD**
- **DoD Property Administration workforce is shrinking; but their responsibilities and workload are not declining.**



INTEGRATED PROCESS TEAM

Government Property in the Possession of Contractors IPT Team

Team Leader

Brad Begrmann ODUSD(IA&T)

Team Members

Army, Navy, Air Force

DoD (IG), DDP, DFAS, DCMC



INTEGRATED PROCESS TEAM - CHRONOLOGY -

- **USD(A&T) announces IPT creation** **Feb 14**
- **First IPT meeting** **Mar 19**
- **USD(A&T) approves approach/focus** **Mar 31**
- **Executive Review Group created** **Apr 24**
- **IPT presented recommendations** **Jun 4**



INTEGRATED PROCESS TEAM - APPROACH -

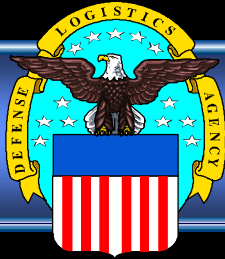
- **Identify the “true” problem**
- **Identify causes, not symptoms**
- **Identify alternatives for eliminating the cause**
 - **Policies**
 - **Process (business practices)**
 - **Management Tools**
- **Propose Follow-on Actions**



INTEGRATED PROCESS TEAM

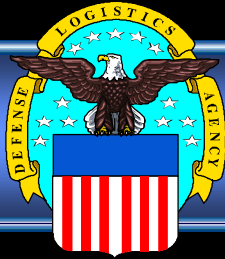
- SCOPE OF TASKING -

- **Reduce the influx of Contractor-Acquired Property**
- **Eliminate Unneeded government property in the possession of contractors**
- **Explore property administration innovations**
- **Satisfy financial statement requirements**



IPT's Recommendation for Reducing the Influx of Property

- Cease Automatically Taking Title to Tooling and Equipment**
 - Revise FAR Part 45 to reserve the “right to title” for:**
 - General Purpose Equipment costing more than the property accountability threshold**
 - All Special Tooling and Test Equipment**



IPT's Recommendation for Streamlined Property Administration

- **Incorporate commercial practices by expanding risk-based management**
 - **Validate contractor's processes rather than performing transaction analyses**
 - **Focus on higher-risk functions during reviews**
 - **Raise review thresholds**
 - **Decrease frequency of reviews**
 - **Streamline plant clearance**
- **Encourage contractor self oversight**



IPT's Recommendation for Reducing the Inventory of Property

- Articulate Reduction Imperative**
- Modify “Roll Forward” Practice**
- Justify Retention of Tooling & Equipment**
- Modify the Screening Process**



IPT's Recommendation for Financial Statement Reporting

➤ Reflect CPMS data as follows:

➤ On the Balance Sheet:

- Material as Operating Materials and Supplies**
- Base Services and Operation of Facilities Tooling and Equipment as General PP&E**

➤ In the Stewardship Report

- All Other Tooling and Equipment as Federal Mission PP&E, or a separate category**



IMPLEMENTING ACTIONS

- **Revise DFARS**
- **Memo Articulating Policy**
- **Revise DoD 5000.2-R and Deskbook**
- **Disposal Initiative**
- **Cost Accounting Standards Revision (?)**
- **Legislation to Streamline Screening**



PRESENT STATUS

- **Final report not yet issued**
- **Some recommendation over taken by other events**



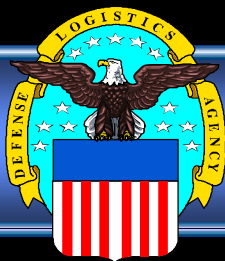
MANAGEMENT REFORM MEMORANDUM #5

Disposal of Excess Government-Owned Property



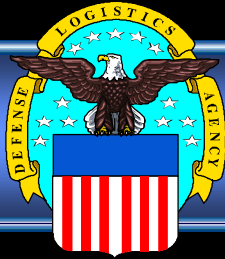
Tasking to DCMC

- What: Develop a plan that -
 - (1) Disposes of excess Government-owned property
 - (2) Eliminates property where the value does not surpass the cost of ownership
- When: By January 1, 2000
- How: Using a method developed with DoD Components



Team Members

- Janice Hawk, DCMC, Team Leader
- John Berg, HQ AFMC/PKPA
- Martha Caswell, GSA
- Sherry Conner, GSA
- Kate Drost, DCMC General Counsel
- Patrick Duffy, DCAA
- Paul Farley, DCMC
- Ron Hodges, DoDIG
- Robert Johnson, OASN(RDA) ABM
- Eric Kattner, SAF/AQCP
- Rachel Lilley, OASA(RDA)
- Herbert Marr, U.S. Army Ind. Engr.
- Tom Ruchdaschel, MMLC



SCOPE OF SEARCH

- **What: All types of property except military & real**
 - General Purpose Equipment
 - Special Test Equipment
 - Material
 - Special Tooling
- **Where: On all kinds of contracts***
 - Production (\$23B)
 - RDT&E (\$4B)
 - Service (\$8B)
 - Maintenance (\$5B)
 - Facilities (\$3B)
 - Storage (\$185M)
- * **Except contracts < \$1M**
 - 2500 contracts > \$1M = 90% of property \$

* Note: The IPT tasking to look at facilities contracts is subsumed in here.



Discussion Points

- Finalize Charter
- Determine Scope
- Define under-utilized versus excess
- How to incentivize contractors to identify and report excess property
- Benchmark with industries commercial property processes
- Determine the optimum method for conducting pro-active Government property utilization reviews
- How do we help PMs & COs make informed decisions about retention versus disposal
- Other disposal options



Milestones

➤ Memo to establish team	June 12, 1997	Complete
➤ Team established	July 9, 1997	Complete
➤ Benchmark with Industry	August 5, 1997	
➤ Submit plan to DoD (C)	August 29, 1997	
➤ Request excess declarations from contractor	September 15, 1997	
➤ Issue guidance to PM/PEO/PCOs	September 30, 1997	
➤ Submit requests for “other” disposal options to DoD (C)	September 30, 1997	
➤ Receive excess declarations from contractors and dispose of property	Continuous process starting November 30, 1997 through December 31, 1997	
➤ Perform validation of excess reporting	June 30, 1998	
➤ Final report to DoD (C)	December 31, 1999	